CDCI ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Bethex Federal Credit Union

Point of Contact:	Greg Gemerer	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	1373	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	502,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:	13,833	Credit Union Charter Number: (For Credit Unions)	19907
Date Funded (first funding):	September 29, 2010	City:	Bronx
Date Repaid[1]:	2/13/2012	State:	New York

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

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☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

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☐ **Increase reserves for non-performing assets.**

☐ **Reduce borrowings.**

☐ **Increase charge-offs.**

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☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

CDCI capital has significantly improved our net worth ratio, which is the ratio of equity to assets. NCUA, the federal regulator of credit unions, maintains a minimum net worth ratio standard. The threat of going below this threshold substantially reduces a credit union's ability to grow its assets, meaning that it may not be able to accept new members and new deposits. This in turn, constrains short and long-term lending, as well as other financial services we provide. In the short term, we would have to limit our lending to 'sure thing' loans to avoid any risk of defaults that would further reduce our equity and net worth ratio. By increasing the net worth ratio, CDCI capital gives us greater margin for error, and we can therefore originate some riskier loans that we would not have done otherwise. CDCI capital also allows us to reduce interest rates on loans. Without the net worth cushion it provides, we would need to be more aggressive in raising income from lending to increase net worth and provide a firmer hedge against defaults. This would probably have the effect of reducing our overall loan volume. Instead, our lending has grown from $8.9 million outstanding at year-end 2010 to $9.8 million as of year-end 2011, with a significant jump in small business loans in particular. In the long term, CDCI capital has allowed us to pursue an aggressive asset growth strategy, with a corresponding increase in capital available for lending. We have been able to significantly increase our assets from new member deposits; non-member deposits, at favorable interest rates; and substantial no-interest deposits from local remitter businesses. Our deposits have grown by 43% between the CDCI capital infusion and end-of-year 2011. This is a far cry from early 2010, when the effects of the economic crisis, including corporate credit union write-downs, NCUA Insurance Fund losses, and loan loss reserve depletions, were significantly reducing our equity capital and threatening us with a protracted asset contraction and reduction in activity. Instead, in large part due to CDCI capital, we have seen a dramatic increase in net worth and assets in the latter part of 2010 and 2011, and NCUA has raised our rating to a strong CAMEL II. This has dramatically increased our ability to provide critical financial services to our low-income, under-served South Bronx community. In 2011 Crain's New York Business listed Bethex among the 36 largest SBA lenders in the New York area; we were the only credit union that made the list. In addition, we received a certificate of excellence from Callahan and Associates for ranking 53rd among all U.S. credit unions in annual loan growth. These achievements would not have been possible without the CDCI capital.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.